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Carl Moyer Program Advisory 08-003

Changes to Requirements for Fund Liquidation

June 25, 2008

This Program Advisory changes several administrative requirements regarding fund liquidation contained in the 2008 Carl Moyer Program Guidelines.

The first change adds a provision to the minimum contract requirements that ensures individual contracts are liquidated within a specified amount of time consistent with State law [Health and Safety Code sections 44287(k) and 44291]. This change is also consistent with ensuring the effective use of public funds to achieve surplus emission reductions that benefit public health. The specific change is as follows:

(Section 29) Minimum Contract Requirements

(e)(1) Project Completion. Project completion is the time frame starting with the date of execution of the contract to the date the project post-inspection confirms that the project has become operational. This includes the time period when an engine or vehicle is ordered, delivered and installed. The contract shall include a specified time frame in which project completion shall occur, so that the ~~funds are expended within the two-year required timeframe~~ **contract is liquidated within four years from the original date of contract execution. Under no circumstance may the liquidation date be extended beyond four years from the original date of contract execution.** See Best Practices #32

The change above that adds a four-year liquidation timeline to each project's contract allows us to make the second change – to eliminate the link between listing a contract as “expended” in a final report and the timing of the contract's liquidation. This will simplify project tracking. Before this change, if a district's final report to ARB listed a particular contract as being expended, that contract had to be liquidated by June 30 two years later. The specific change (to two closely-related sections) is as follows:

(Section 21) Funding Year Close - Out

(c) ~~All partially paid contracts for projects included in district's Final Report must be fully liquidated by June 30th of the second year after that~~

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~~year's expenditure deadline. For example, Year 8 funds have an expenditure deadline of June 30, 2008. All partially paid contracts and contract amounts credited in the Year 8 Final Report must be liquidated two years later (i.e. by June 30, 2010).~~ Any funds associated with a contracted commitment for an engine, vehicle or equipment project that is cancelled from a contract shall no longer be considered expended beginning at the time of project cancellation.

(Section 19) Final Report

(c) The Final Report shall include the following information for funds awarded two years prior that were received by the district from ARB:

(1) Project type, emission reductions, and number of engines funded for each Carl Moyer Program project, including match fund projects and projects funded with earned interest. Districts tracking progress cumulatively must include this information for funds expended early as needed to demonstrate overall expenditure of program funds within two years. ~~If applicable, a district shall also provide information for vehicles or equipment previously counted as expended as part of a partially paid contract (in a prior year Final Report) which are no longer being pursued or which were liquidated at a cost less than previously reported.~~

The final change clarifies that fund liquidation can be tracked on a cumulative basis, typically for the purpose of closing-out a funding year. Note that, unlike the two changes above that apply at the individual project level, this change applies at the program level.

(Section 20) Cumulative Progress Tracking

(a) In meeting deadlines to commit funds, execute contracts, ~~or~~ expend funds, or liquidate funds, ARB shall track district progress cumulatively. Cumulative progress tracking allows for comparison of the total funds spent by the expenditure deadline, regardless of the funding year, with the amount required to be expended at that deadline in order to ensure anticipated emission reductions are achieved. For example, a district that must demonstrate expenditure of Year 8 funds by the two-year statutory deadline may utilize Year 9 funds expended early in place of Year 8 funds not yet expended. In this case, if the district had received \$5 million in total funding in Years 1 through 8, it would have to demonstrate \$5 million in cumulative fund expenditure by the two year statutory deadline for Year 8.